

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 TRSE-00 FRB-02 OMB-01 ABF-01

COME-00 OPR-02 A-01 DRC-01 RSC-01 FS-01 /047 W

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R 291223Z MAR 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 4008

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

PASS TREASURY AND FRB

1. SUMMARY. SINCE ABOLITION OF DUAL EXCHANGE MARKET ON MARCH 22, LIRE HAS MAINTAINED SOMEWHAT STRONGER POSITION VIS A VIS DOLLAR WHILE WEAKENING SLIGHTLY AGAINST DEUTSCHE MARK AND POUND STERLING. END SUMMARY.

2. SINCE ABOLITION OF FINANCIAL LIRA WHICH WAS 640 COMPARED TO COMMERCIAL RATE OF 624 ON DAY PRECEDING
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UNIFICATION OF DUAL MARKET, UNIFIED LIRA EXCHANGE RATE

HAS REMAINED RELATIVELY STABLE AROUND 621-622 LIRE PER DOLLAR DURING THIS WEEK OF MARCH 25.

3. HEAD OF EXCHANGE OPERATIONS AT BANK OF ITALY, ERCOLANI, TOLD EMBOFF MARCH 28 THAT BANK HAS CONTINUED TO INTERVENE HEAVILY AFTER UNIFICATION OF MARKET AS HAD BEEN CASE DURING PRECEDING PERIOD. BEHAVIOUR OF LIRA IN MAINTAINING LEVEL NEAR FORMER COMMERCIAL RATE WAS PREDICTABLE BECAUSE BY TIME FINANCIAL RATE WAS ABOLISHED, IT WAS NO LONGER SERVING USEFUL PURPOSE. IN ADDITION, THINNESS OF FINANCIAL MARKET MEANT "REAL" RATE WAS ACTUALLY VERY CLOSE TO COMMERCIAL RATE. IN SPITE OF PRESENT RELATIVE STRENGTH OF LIRA (WEIGHTED AVERAGE DEVALUATION OF LIRA SINCE SECOND DOLLAR DEVALUATION IN FEBRUARY 1973 WAS 18 PERCENT ON MARCH 28 COMPARED TO 20 PERCENT OF MARCH 20), ERCOLANI PREDICTED THAT LIRA WOULD WEAKEN DUE TO UNDERLYING ECONOMIC DIFFICULTIES CONFRONTING ITALIAN ECONOMY.

4. DURING WEEK LIRA WEAKENED SLIGHTLY AGAINST DEUTSCHE MARK AND POUND STERLING. AVERAGE THREE AND SIX MONTHS FORWARD RATE FOR LARA ON MARCH 28 WAS 639.20 AND 650.70 RESPECTIVELY. VOLPE

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Message Attributes

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